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F D S Bank - M C C S

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Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, Northwest
Washington, D C 2 0 5 5 1

Docket Nos. R-13 14 and R-12 86

June 2, 2009

To the Federal Reserve Board:

Thank you for the opportunity to respond to the proposed clarifications and amendments to the final rules for Regulations A A and Z adopted in December 2008, Docket Nos. R-13 14 and R-12 86. These comments are on behalf of F D S Bank, a Federal Savings Bank located in Mason, Ohio and an issuer of proprietary retail credit cards for Macy's and Bloomingdale's.

F D S Bank welcomed the proposed clarifications and urges the Board to approve these clarifications as part of its final Rule.

Deferred Interest Programs

F D S Bank particularly urges the Board to adopt the clarifications related to deferred interest programs. Such programs, offered in various formats, are seen as valuable options by our customers and greatly facilitate the customers' ability to purchase high-ticket merchandise in an affordable, budget-friendly, manner. The Board's proposed clarifications allow customer's practical access to these programs while still improving consumer disclosures and protections as prescribed in Regulations A A and Z and the recently enacted Credit Card Act of 2009.

Payment Allocation

Our customer experience indicates that over 75% of Macy's and Bloomingdale's customers choose to make more than their required minimum payment during the deferred period of their deferred interest plans. Under the new and proposed Regulation A A payment allocation rules, customers would be prohibited from having excess payments applied to their deferred interest balance until the final two months prior to the final balance due date. F D S Bank urges the Board to allow an exception applicable strictly to deferred interest plans that would allow the customer to specifically request the amount of her excess payment be applied to the deferred interest plan throughout its existence. F D S Bank believes this targeted exception allows the customer to best tailor her personal finances, budget to her unique economic situation and avoid large, lump-sum payments at the end of the deferral period. For example, under the proposed rules on a typical $1,000 deferred purchase, a customer would pay approximately $28 per month for the first 10 months and lump-sum payments totaling $720 in the final two months in order to avoid any finance charges.

F D S Bank also asks the Board to consider an exception to its overall payment allocation rules for excess payments upon a specific customer request. While the Bank agrees with the proposed "highest to lowest A P R" allocation method, we remain sensitive to our customers' service expectations. Many of our customer payments are accepted at point-of-sale locations in our stores and the proposed allocation requirements may cause a negative customer shopping experience as we are prevented from allocating the customer's payment as desired. F D S Bank urges the Board to allow a limited rule exception that would allow the Bank, solely upon a specific customer request, to allocate her payment as instructed, either before or after the payment is applied to the account. We believe this strikes a fair balance between the Board's goal to first allocate payments to higher A P R's while allowing the customer flexibility to eliminate specific debts in a more customer-friendly manner.

Variable Rate Disclosure

The Board's clarifications offered greater flexibility in providing Annual Percentage Rate (A P R) disclosures in the account-opening disclosure box based upon the applicant's creditworthiness. F D S Bank urges the Board to show the same flexibility for disclosing the current variable rate (which is tied to an index). Requiring the Bank to provide the current variable rate - accurate within 30 days of providing the disclosure - will force the bank to reprint and replace millions of applications every time the prime rate changes. Additionally, requiring over 800 store locations to replace credit applications every time the prime rate changes presents extreme logistical challenges and significantly increased expense. It is also contrary to the many "green" initiatives instituted by the bank and the Federal government. F D S Bank asks the Board to increase the prescribed 30-day timeframe to a 90 or 180-day requirement. Alternatively, the Board could allow the account-opening disclosure box to contain a variable rate in effect as of the printing date along with a separate document (such as a register receipt) provided during the first application process.

Thank you again for the opportunity to comment on these clarifications and we appreciate that our comments will be considered as the Board drafts final rules.

Sincerely on behalf of F D S Bank,

Via email delivery

Douglas R. Bruser
Director - Legal Compliance